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The World Wheat Problem
Communists and Soybeans
World Bank and Agriculture

UNITED STATES DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

FOREIGN AGRICULTURE

VOL. XX . . . No. 3 . . . MARCH 1956

To report and interpret world agricultural developments.

Europe's Cold Weather

The unusually cold weather in Europe, with its apparent damage to existing and future crops, reminds us how closely related are weather and agricultural production.

During most of the years since World War II, Western Europe has enjoyed unusually favorable weather. The resulting good crops have been a boon to economic recovery. Fortunately, Europe is now in relatively good position to take in stride the present setback.

It is too early to assess the full damage recently done to Europe's agricultural production. Winter wheat appears to have been badly hurt in France. In Spain, where the orange crop was about halfway harvested, most of the fruit still on trees may have been lost. Reports indicate damage to citrus, olive, and nut trees of the Mediterranean, to wheat and even livestock of middle Europe.

Europe's demand for agricultural imports may be increased in the months ahead, including imports from American farms. No doubt most additional imports can be handled through purchases. To help meet emergencies, however, the United States has offered to donate food to areas in critical need.

The Foreign Agricultural Service, with the assistance of its agricultural attaches, is compiling information on the winter damage in Europe and will release reports as the information becomes available.

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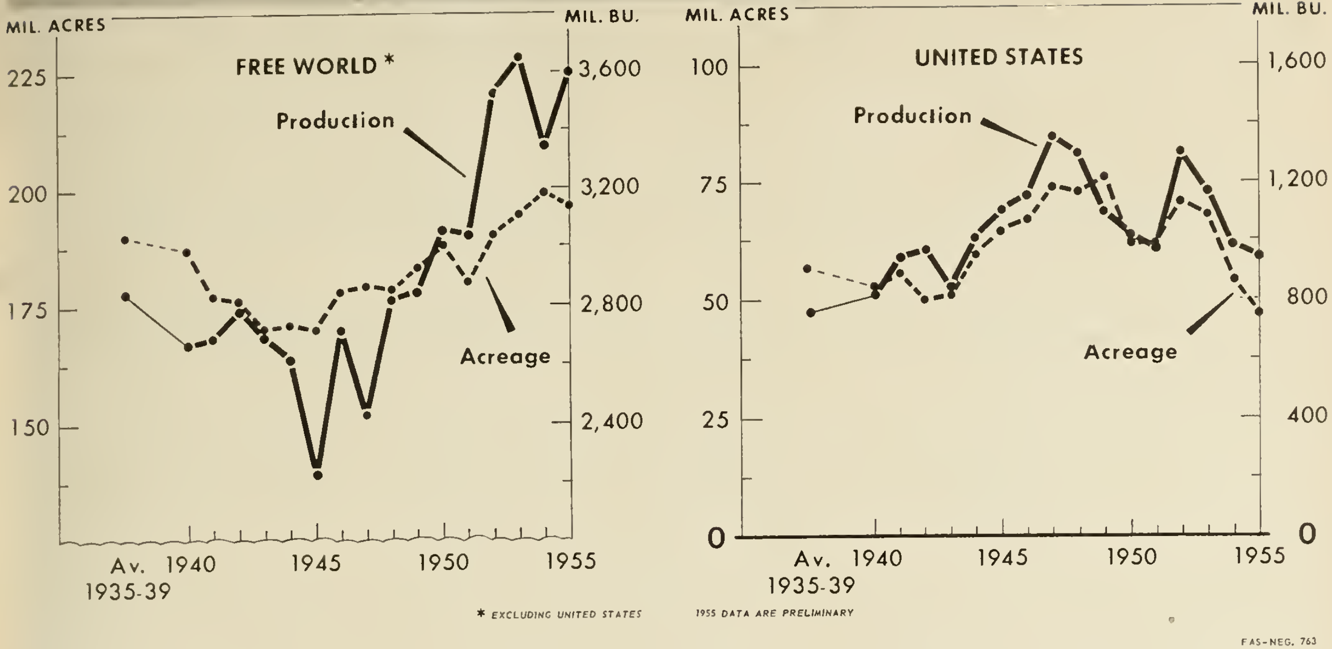
Free World Wheat Acreage Near Prewar, Production Well Above - BUT in U.S. Both Are Declining



THE WHEAT PROBLEM
For the U. S. and the World

By John C. Scholl
Grain Division, FAS

The world's wheat bins are full. In 1955 the world harvested a wheat crop only slightly below the all-time record of 7.4 billion bushels, set in 1952. This tremendous harvest climaxed 10 years of rising production. But world consumption has not kept pace; it is now well below output. And so total stocks in the four leading export countries are at record levels.

WHEAT ACREAGE is still below prewar in many countries of the world; but wheat yields are up and consumption is static. This means that stocks have accumulated in exporting countries. At the same time, importing countries have encouraged production at home. Nevertheless, world trade is fairly stable, and the United States is still selling its share by means of competitive prices and surplus disposal measures. But domestic utilization in the United States has declined, especially in the use of wheat for livestock feed, seed, and industry. All these factors present problems for wheat growers, in the United States and in other exporting countries.

Higher Yields Raise Output

The U.S. wheat area increased after the war, but it is now sharply below the prewar average. Below prewar, too, are the wheat areas of Canada, Australia, and Argentina, the other three leading exporters. Yet each acre has been producing more wheat than before. Farmers have made greater use of higher yielding varieties, of improved cultural practices, and, in some countries, of fertilizer; above all, in most important wheat-producing countries they have had unusually favorable weather. In Canada, 4 of the past 5 seasons have been exceptionally good.

Thus the "Big Four" exporting countries have increased their total production from 1.5 billion bushels before the war to 1.9 billion in 1955. But this bigger 1955 crop was produced on a total wheat area about 20 million acres smaller: yields in 1955 averaged 20.2 bushels per acre as against only 13.1 in 1935-39.

Production is increasing also in

WORLD WHEAT PRODUCTION

MILLIONS OF BUSHELS

	UNITED STATES	FREE WORLD EXCEPT U. S.				COMMUNIST BLOCK	WORLD TOTAL
		Other Major Exports	Western Europe	Others	Total		
PREWAR YEARS							
AVERAGE 1935–39	759	704	1,136	991	2,831	2,495	6,085
WAR YEARS							
AVERAGE 1940–44	926	770	976	943	2,689	2,160	5,775
POSTWAR AND RECOVERY YEARS							
AVERAGE 1945–49	1,202	734	947	925	2,605	2,090	5,895
AVERAGE 1950–54	1,091	927	1,231	1,163	3,321	2,581	6,995
1955 ---	938	944	1,365	1,288	3,597	2,765	7,300

Turkey and France—countries that have emerged as important net exporters in recent years. In Turkey the shift from importer to exporter was accomplished by increasing acreage from 9 million acres in 1935-39 to 18 million in 1955; average yield showed a slight decrease, from 15.1 to 14.6 bushels per acre. France, on the other hand, acquired exporter status through greatly increased yields — 34.1 bushels per acre in 1955 compared with 22.8 before the war. Yet the 1955 area was 1.3 million acres below the 1935-39 one.

In the importing countries also, production is increasing, but less than in the exporting countries. In Western Europe, higher yields per acre brought the 1955 crop to 1,365 million bushels compared with the 1935-39 average of 1,136 million—this on a total acreage slightly below prewar. In Asia, it is mainly increased acreage that is causing larger crops, though in India and Japan yields also have somewhat increased. India produced in 1955 about enough wheat for its usual needs–317 million bushels. Japan, on an acreage still below prewar, is getting larger crops through higher yields; but its wheat production has risen less than its population since 1935-39.

In general, importing countries are encouraging large wheat crops because they want greater self-sufficiency in food, plus reserves for emergencies. In most of these countries, producers are guaranteed prices that are above the U.S. support price and considerably above the cost of imported wheat. And, barring bad weather or unforeseen developments that could force the countries to change these objectives, their wheat crops may be expected to continue large.

In the Communist Bloc—especially in the Soviet Union and China—total acreage and production are well above prewar, though yields are in general low.

Wheat Versus Population

In the Free World (except for the United States), wheat production is up 28 percent as compared with the 1935-39 average; population is up only about 18 percent. In the United States, on the other hand, wheat production has been cut to about 24 percent above prewar, whereas population is up 27 percent. This U.S. production adjustment, carried out through a program of acreage allotments and marketing quotas, was made necessary by the large supplies that had accumulated by 1954 as a result of successive large crops combined with declining domestic use and exports.

In the Communist Bloc, production has not kept pace with population; in 1955 it was about 11 percent above prewar compared with an indicated population increase of about 19 percent. However, 1955 crops show increases over those of recent years. The Soviet Union officially reported an increase of 27 million acres in spring wheat.

Stocks Are Up

In the exporting countries, unusually large output has not been matched by domestic use and exports. End-of-season wheat supplies carried over by the United States, Canada, Argentina, and Australia into the 1955-56 season totaled 1,688 million bushels—the largest

WORLD WHEAT ACREAGE

MILLIONS OF ACRES

	UNITED STATES	FREE WORLD EXCEPT U. S.				COMMUNIST BLOCK	WORLD TOTAL
		Other Major Exports	Western Europe	Others	Total		
PREWAR YEARS							
AVERAGE 1935–39	57	55	53	82	190	178	425
WAR YEARS							
AVERAGE 1940–44	54	46	51	79	176	160	390
POSTWAR AND RECOVERY YEARS							
AVERAGE 1945–49	71	49	47	82	178	157	406
AVERAGE 1950–54	63	48	51	91	190	197	450
1955 - - -	47	45	52	99	196	240	483

of record.[1] (The year before, the figure was 1,658 million bushels.) In addition, France has another exportable surplus, estimated at close to 100 million bushels; and Turkey is again exporting wheat after being on a net import basis in 1954-55 because of its poor 1954 crop.

Complete data are not available on stocks in all importing countries. But aggregate carryover at the beginning of the present season was higher than the year before and well above average.

World Demand Steady

Yet, regardless of how much wheat is on hand, the demand for it is relatively inelastic, except when larger than usual amounts of low-quality wheat are used for feeding livestock. There is a limit beyond which importing countries do not seem interested in buying wheat even under the most attractive terms. This fact, together with the likelihood of continued large crops in importing countries, indicates that world exports may not go much above the present level of 900 million to 1,000 million bushels. This season, supplies in most importing countries are relatively large, and less of the European crop is being fed to livestock—factors tending to reduce import requirements. On the other hand, in many of the countries the level of economic activity is high and purchasing power has increased—a factor that tends to increase imports. It appears, then, that world exports may approach the 943 million bushels shipped in 1954-55. During the first half of 1955-56, they were close to the amounts shipped during the comparable period a year earlier.

U.S. Exports Also Steady

Assuming that world exports do run about 950 million bushels this season, the United States may move about 275 million, or 29 percent of the total world trade—about the same as last season.

During July-December 1955 the rate of U.S. exports was close to that of the same period in the previous year. This means that the U.S. position in the world wheat market is nearly at the average level for the 30 years 1900-29, when the United States provided 27 percent of the world trade. In the 1930's, when we were short on supplies, this figure dropped to 10 percent. In 1945-53, when the rest of the world was short on supplies, it rose to an average of 42 percent, largely as a result of economic aid in various forms.

How has the United States maintained this relatively high export level?

Since 1945 we have moved much wheat under economic aid programs and in relief shipments. In recent years we have also employed various surplus disposal programs, including barter and sales for local currencies. Further, since 1949 we have subsidized our exports of wheat and flour moving under the International Wheat Agreement; and, since December 1953, those moving outside the Agreement also. These subsidies, which averaged

(Continued on page 17)

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[1] For the United States the wheat season ends on July 1; for Canada, on August 1; for Argentina and Australia, on December 1.

This pyramid of selected Manchurian soybeans was the first display to greet visitors at the Communist China Trade Fair in Tokyo.

Photos by George M. Strayer

Communist China Courts Japanese Soybean Market

By George M. Strayer
American Soybean Association

The Communist Chinese are carrying on vigorous promotional campaigns to regain the markets China once held in Japan. I saw an example when I was in Tokyo recently. It was the Chinese Trade Fair. One of the commodities most strongly featured at this fair was soybeans. U.S. soybean growers and exporters may well look closely at this Chinese effort, for Japan is one of their best markets.

Featured immediately inside the entrance to the auditorium was a large display of Chinese and Manchurian soybeans and soybean products. The placement of the soybean exhibit, and the way it was emphasized, left no doubt in the minds of the thousands of people attending that Communist China is actively promoting the Japanese market for its soybeans. Beside large piles of soybeans, carefully selected for quality and freedom from foreign material, were baskets containing samples of varieties produced in the different areas and of types of soybeans available. These led the visitor into an extensive display showing various kinds of crude, refined, and semirefined soybean oil, and to extensive displays of soybean cake and meal, all carefully selected and displayed in a manner to convince the average Japanese that Communist China is the logical source of superior quality soybeans for food purposes.

Promoted extensively among the Japanese population of the Tokyo area, this Chinese Trade Fair drew, according to published figures, an average of 30,000 persons per day during the week, and an average of 80,000 persons on each Saturday and Sunday throughout the month.

Traditionally the Japanese soybean market has been supplied from Chinese and Manchurian sources. Annual prewar imports were as high as 800,000 metric tons of whole soybeans and 1,000,000 tons of soybean cake and meal. During an average year, Japanese buyers took over 50 percent of all soybeans and soybean cake exported. After Japan marched into Manchuria the Japanese confiscated a large portion of the crushing capacity located at ports such as Darien. Those same plants have now been taken over by the Communist Chinese. Apparently they have not yet reached prewar production levels, for since the war exports have been limited to soybeans alone. No Chinese or Manchurian meal or cake has reached world markets.

Since 1945 the major part of Japan's soybean imports has come from the United States, first in shipments by the Army of Occupation, then in foreign aid programs, and recently in outright purchases for dollars. As the Japanese dollar position has improved, the tonnage figures for soybean imports have pushed upward, until during the 1954 U.S. soybean crop year Japan imported approximately 20 million bushels of U.S. soybeans as against its total imports of slightly over 26 million. The remaining imports were divided between Brazil and Manchuria.

There is considerable interest among certain Japanese groups in restoring the soybean market to Manchuria and China, as a means of reopening markets in those areas for Japanese goods. Certain import firms greatly desire to channel their trading in the direction of Communist China; Japan, with bulging cities, active factories, and rapidly increasing production of heavy and consumer goods, feels it must exploit every possible market opportunity.

The Communist Chinese are doing everything in their power to encourage this trade. Continual streams of Japanese merchants, professional men, government employees, educators, and members of the Japanese Diet are being taken on all-expense-paid trips to Peking, and every effort is made to convince them that the old "Asia for the Asians" policies must be restored.

Soybeans happen to be one of the few commodities that Communist China has in quantity and that the world wants. True, according to information I was able to pick up from a wide range of sources in Japan and also in Hong Kong, Manchurian production has not yet reached prewar levels. Some soybeans have entered European markets, and a rather sizable quantity has gone to Japan. However, information obtained from men who have visited interior China and Manchuria recently, and who were familiar with those territories before the war, indicates that both Communist China and the European satellites are placing great emphasis on human nutrition and that Iron Curtain countries are using more soybean oil and soybean protein than they did previously.

In addition, it appears that Manchurian beans are being traded to satellite countries for consumer goods and essential or strategic materials, on a barter basis, and that some of the Manchurian beans reaching world markets are actually sold by the recipient nations.

The Japanese soybean market is tremendously important both to the U.S. farmer and to the U.S. exporter. As acreage has been removed from production of crops that are in surplus, some of it has been transferred to soybean production in both the Midwest and Midsouth areas of the United States.

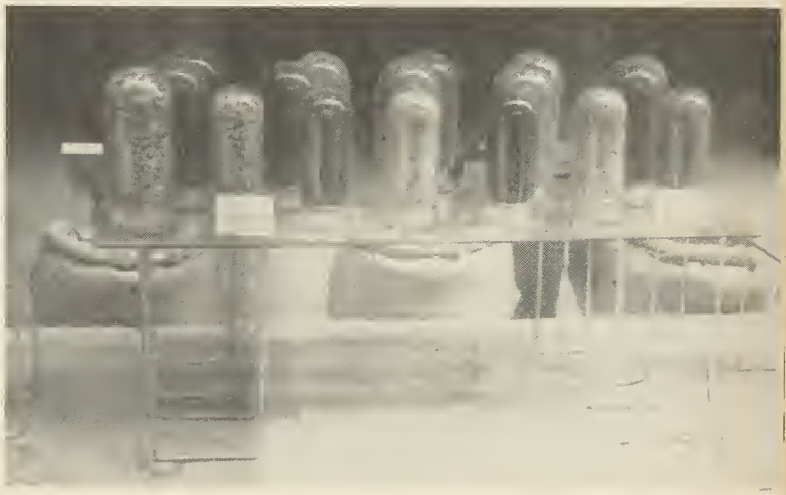
Japan has become the biggest export customer for U.S. soybeans. About 20 percent of our 1954 soybean crop entered export markets, and about a third of this tonnage went to Japan. The Japanese imports have not yet reached their maximum, as food-product plant capacities and retail markets will absorb considerably larger quantities of soybeans than are now reaching Japan.

Oil millers in Japan like American soybeans, which contain decidedly more oil than the Manchurian or Brazilian beans. But they object strenuously to the foreign material content of U.S. deliveries; and as I visited about 15 of these plants I observed that there was some basis for protest. We also have a problem in the delivery of green seed-coated soybeans as yellow beans. Neither of these problems is insurmountable—both are man-made and thus open to man-made solutions.

U. S. soybeans are selling today at a cheaper price delivered to Japanese ports than soybeans from any other origin. If we will solve our problems of quality we can, in my personal estimation, retain our present market for American soybeans in Japan—and we can share in the expansion of Japan's soybean imports which will come in future years. I am convinced that the growers and handlers of this crop, with this huge market potential at stake, will take the necessary steps.

Wheels of soybean cake from Communist China's processing plants were displayed at the fair. Before the war, Japanese soy food manufacturers imported from China as much as a million tons of soy cake each year.

Also shown were soybean cake and oil in various stages of crushing operations, together with bags of the raw product in the background.



The International Bank
And World Agriculture

By EGBERT DE VRIES
Chief, Agricultural Division
International Bank for Reconstruction and Development

The International Bank for Reconstruction and Development, or World Bank, is an organization with 58 member countries. It was established at the Conference of Bretton Woods in 1944 and started its operations in 1946. Since then it has made 138 loans in 40 countries, totaling $2.4 billion. Loans from the Bank have helped finance the purchase of equipment and machinery needed to improve production or services in the fields of general reconstruction and development to the extent of nearly $650 million, electric power over $650 million, transportation nearly $650 million, and agriculture and industry nearly $250 million each.

The money which the Bank lends comes from two sources. Each member government makes a subscription to the capital of the Bank, of which part is available to the Bank for lending. It obtains additional funds through the sale of its own securities in the various capital markets of the world.

The Bank, at the request of member governments, also helps them to survey the resources of their countries and draw up plans for the development of their economies.

In its activities, the International Bank for Reconstruction and Development gives a great deal of attention to the development of agriculture. This is only natural. Agriculture is the mainstay of the economy of the great majority of the member countries of the Bank, with respect both to domestic food supplies and to exports. But there are natural limitations to what the Bank can do.

Investment in agricultural development requires, generally, a very high proportion of domestic labor and materials and only a small proportion of imported capital goods. The Bank, on the other hand, usually lends only for imported goods or services. Thus, the larger part of the capital resources must come from domestic resources — private, institutional, and public. Scarcity of local currency resources often limits the extent to which a nation can borrow for agricultural development.

Secondly, since the Bank cannot make loans to hundreds or thousands of farmers individually, almost every loan the Bank makes to finance imports of machinery and equipment must be channeled through some kind of institution—a credit bank, a government corporation, or a development agency. This also tends to limit the volume of the Bank's operations. The Bank must be satisfied with the capabilities of the particular institution that is to act as an intermediary, and consequently must study the organization, its capital structure, its management, its record of operations, and the use farmers have made of it. Bank loans of this kind are generally $5 million or less. But experience has shown that the strengthening of these institutions, often accomplished both as a prerequisite and as a result of Bank lending, is in itself an important contribution to the development of agriculture.

And lastly, in many countries the urgent need for better agricultural services, research, and extension in all its forms, and consistent government policies with regard to agriculture, are essential if farmers are to take an interest in better equipment and methods; for, obviously, not much imported material can be sold to farmers unless they have the knowledge and the financial incentive to use it.

World Bank Loans

The Bank so far has made 15 loans, amounting to about $90 million, to Australia, Denmark, Iceland, and a number of Latin American countries to finance equipment purchases by farmers.

In addition, the Bank often makes loans to governments or government agencies for public works in behalf of agriculture. This type of loan is for land reclamation, drainage, irrigation, flood control, and similar projects for expanding or improving the agricultural land. Loans to Australia, Chile, Iceland, India, Iraq, Italy, Lebanon, Pakistan, Peru, Thailand, and Turkey amounting to more than $100 million have been made for these purposes. Also, loans have been made to Nicaragua, Panama, Peru, and Turkey for storage facilities to save the harvested crop from spoilage and to provide for more orderly marketing to the benefit of both producer and consumer.

A World Bank loan of $10 million is helping Italy carry out a 12-year economic and social development program in the south. Trees will be planted on these terraces to prevent further erosion of the hillsides.

Photos from International Bank

One of the tractors financed by the Bank's $1.2-million loan to the National Bank of Nicaragua for farm machinery clears virgin land on a 10,000-acre hacienda, 35 miles from Managua, Nicaragua's capital city.

In a number of loans affecting rural areas, the Bank assists countries in developing their agriculture indirectly. Construction or improvement of roads and railroads is the most important operation of this type. Since 1951 the Bank has made loans to nine Latin American countries for this purpose, totaling over $150 million. Ethiopia also received a loan for highway rehabilitation and construction. In these cases, it can be expected that private enterprise will soon grasp the new opportunities provided by cheaper, quicker, and more reliable transportation. Often the sale of tractors depends largely upon the accessibility of the farm, since this is essential if production equipment is to be brought in and products marketed.

Loans in behalf of processing industries, such as paper, pulp, woodworking, dairy plants, crushing of oilseeds, handling of coffee, are frequently instrumental in opening up new agricultural or forestry areas.

Finally, loans for a variety of nonagricultural purposes have indirectly benefited agriculture in the borrowing country as well as in other countries. There is no clear borderline between loans affecting agriculture and those affecting other parts of the economy.

Development Surveys

The Bank not only makes loans; it also helps governments survey the resources of their countries and draw up programs of development. In 15 countries a general survey was made by a Bank mission, and in 4 countries an agricultural mission has worked on a special survey and specific recommendations with regard to their agriculture. The reports of these missions have been published, often in the language of the particular country. The missions have contributed to the introduction of better practices and methods—often without a Bank loan—a service which may be even more important than the direct impact of a loan. As a general rule, some combination of advice and financial assistance can provide the country with the best chance for rapid progress in the right direction. The Bank is in a unique position to serve its member countries along both lines.

What is meant by "in the right direction?" Wherever feasible—on the basis of soil, climate, skill, availability of equipment, and other forms of capital—farmers would adapt their production pattern to their expectations about market prices. The price mechanism would then maintain an equilibrium between the supply of foodstuffs and agricultural raw materials and effective demand. Because many agricultural products, especially grains and fibers, enter the world market to a large degree, this equilibrium should be worldwide. By the same token, disturbances in any one important center of production through crop failure, bumper crops, or uneconomic expansion have worldwide implications.

But certainly no farmer, through his decisions, can affect the situ-

Cover Photograph

World Bank Helps Reclaim Desert

Modern tractors financed by a loan from the International Bank for Reconstruction and Development are used in reclaiming Pakistan's Thal area, once a barren desert.

Wheat, cotton, sugarcane, and orchards will be planted on the 660,000-acre reclaimed area, and some 44,000 families will be settled there.

ation in one way or another; instead, he must adapt himself. The combined farmers of a big nation might try to influence world market prices, if they were firmly organized. Similarly, their government might do this through legislation affecting production and exports. But such efforts have generally failed, even when a single country has had a strong position in the world market or a near-monopoly. For examples between the two world wars, it may suffice to mention sugar, rubber, coffee, kapok, and cinchona.

At the same time, it would be unrealistic to expect a return to no government intervention, no centralized stocks, no marketing boards or other means of maintaining a balance between supply and demand at a reasonable price. Only with some degree of security can farmers dare to invest, or banks dare to make loans for the purchase of mechanized equipment.

Factors Affecting Loans

Farmers today, in making their plans, must keep in mind their farm, its soil and location, the market supply and demand, as well as the attitude of their government and other governments around the world. In making loans, the Bank must consider similar questions. When a loan is requested, the Bank will not only ask technical questions about soils, cropping patterns, pest control, but will also ask economic questions about the market situation of the expected products, with all its present-day implications. Besides the position and plans of competitors, it must consider substitutes—paper bags and bulk handling for jute, synthetics for cotton, wool, cinchona, and rubber, synthetic detergents for fats and oils.

The world market situation for many agricultural products, especially since World War II, is greatly affected by organized marketing and government action. However, it is improbable that prices will stay for a long period above the "equilibrium price" between effective demand and production. In spite of marketing mechanisms, cost advantage remains the most important single factor in the market. In international markets, of course, cost advantage can result from good soil and climate, privileged location, efficient management, as well as from lower standards of living.

Protection, through one method or another, tends to make cost and price comparisons more difficult. It must be remembered that for the economy of a country as a whole protection given to one group of producers or consumers must be paid for by other groups, and, therefore, a high price to producers, resulting from protection, does not necessarily make a project desirable, even though it may appear attractive. Sometimes, however, protection must be accepted as a means of keeping part of the economy in running condition, of avoiding unemployment, or insuring a proper use of the land.

As an international organization, with 58 member countries, the International Bank must take into consideration the interests of all its members when it makes a loan. In the long run, these interests are best served by increased efficiency of production and a better use of the human and natural resources in the world. With regard to export products, a practical yardstick of efficient production may be obtained by looking at the possibility of selling the new product even if world market prices were to drop. With regard to import products, the test is whether the product would remain salable if existing import duties were to be reduced.

Even efficient production would be thwarted if important markets were to be cut off through import restrictions or invaded by products aided by export subsidies. In order

(Continued on page 16)

U.S. Coarse Grain Exports Show Strong Upward Trend

By John C. Scholl
Grain Division, FAS

A SIGNIFICANT development in U.S. agricultural exports this season has been the sharp increase in the movement of coarse grains. U.S. exports of corn, oats, barley, and sorghums in the 1955-56 fiscal year may approximate the volume of this country's exports of wheat; at the same time, they may account for as much as half of the coarse grains entering world trade.

U S. shipments of coarse grains from July through December 1955 totaled 4.5 million short tons—the equivalent of coarse grain exports for the entire 1954-55 fiscal year and greater than those for 1953-54. Even though the rate of movement during the latter half of the season may be less than that of the first half, U.S. coarse grain exports for the 1955-56 season could amount to 8 million short tons. (World exports of coarse grains are expected to total around 16 million short tons for the year.)

Coarse grains are usually thought of in terms of feed for livestock. Western Europe is the leading importer. However, in certain areas they also form a basic part of the human diet. This is the case with corn in the United States, large parts of Latin America, and Africa. Barley and sorghums are used extensively for food over much of Asia, while oats and other grains are important breakfast cereals throughout the world.

Historically, exports of coarse grains account for only a small percentage of the U.S. production, the largest part of which remains on farms. Thus, with the 1955 crops estimated at 130 million short tons, exports of 8 million tons would amount to only 6.2 percent of the year's crop. On the other hand, exports of 8 million tons are extremely meaningful when related to this year's commercial supplies, i.e., that portion which moves off the farms from the current crops plus carryover stocks in commercial positions. Exports of this magnitude would be equal to approximately one-fifth of that portion of the 1955 crop likely to leave farms, and about 12 percent of the total 1955-56 commercial supply.

World Trade

World trade in coarse grains increased during the early and middle 1930's and then leveled off at around 15 million to 16 million short tons a year. International trade in these grains recovered slowly after World War II and did not reach prewar levels until 1953-54 because of more pressing demands for shipping, dollar shortages in importing countries, and reduced livestock numbers. In 1954-55 a drop occurred, as Western Europe's poor crop of wheat was partly used for livestock feed.

World production in coarse grains increased markedly after World War II. The 1955 world crops of corn and barley were the largest on record, with the oats crop the largest since 1952. However, production of these three major crops had increased more rapidly in the United States than in any other major producing area

(Continued on page 19)

Exports of coarse grains:

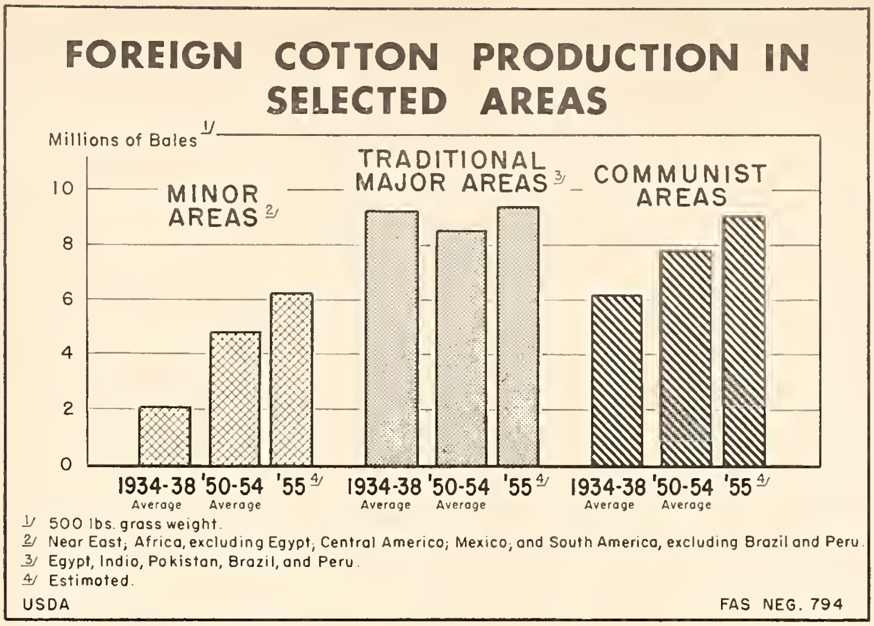
UNITED STATES

	Corn	Oats	Barley	Grain sorghums
	1,000 bushels	*1,000 bushels*	*1,000 bushels*	*1,000 bushels*
Average:				
1934-38	37,880	4,480	9,707	160
Annual (July-June):				
1950-51	118,977	6,745	40,004	78,768
1951-52	84,304	4,605	31,042	72,288
1952-53	126,070	4,110	37,054	11,341
1953-54	111,077	3,444	18,587	8,344
1954-55	81,833	15,426	43,907	35,044
1955-56[1]	66,478	14,859	49,913	42,063

U.S. SHARE OF TOTAL

	U.S.	World	U.S. as % of world
	Short tons	*Short tons*	*Percent*
Average:			
1934-38	1,370	15,873	9
Annual (July-June):			
1950-51	6,605	12,531	53
1951-52	5,203	14,801	35
1952-53	4,803	14,946	32
1953-54	3,845	15,879	24
1954-55	4,572	14,153	32
1955-56[1]	4,474	—	—

[1] July-December—preliminary.



FOREIGN COTTON PRODUCTION IN SELECTED AREAS

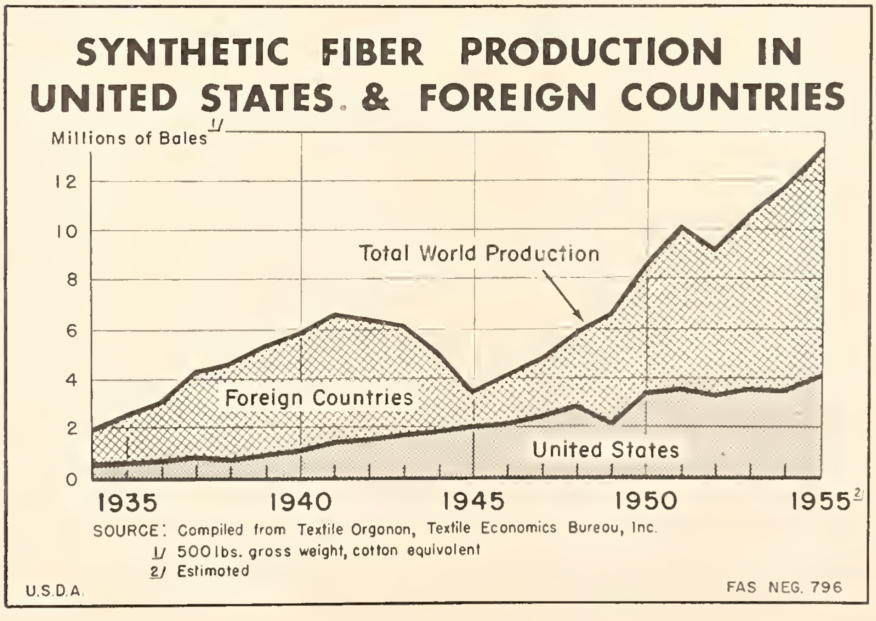
1/ 500 lbs. gross weight.
2/ Near East; Africa, excluding Egypt; Central America; Mexico; and South America, excluding Brazil and Peru.
3/ Egypt, India, Pakistan, Brazil, and Peru.
4/ Estimated.

USDA FAS NEG. 794

The Two-Pronged Threat to U. S. Cotton Exports

By Frank B. Barlow, Jr.

Cotton Division, FAS



SYNTHETIC FIBER PRODUCTION IN UNITED STATES & FOREIGN COUNTRIES

SOURCE: Compiled from Textile Organon, Textile Economics Bureau, Inc.
1/ 500 lbs. gross weight, cotton equivalent
2/ Estimated

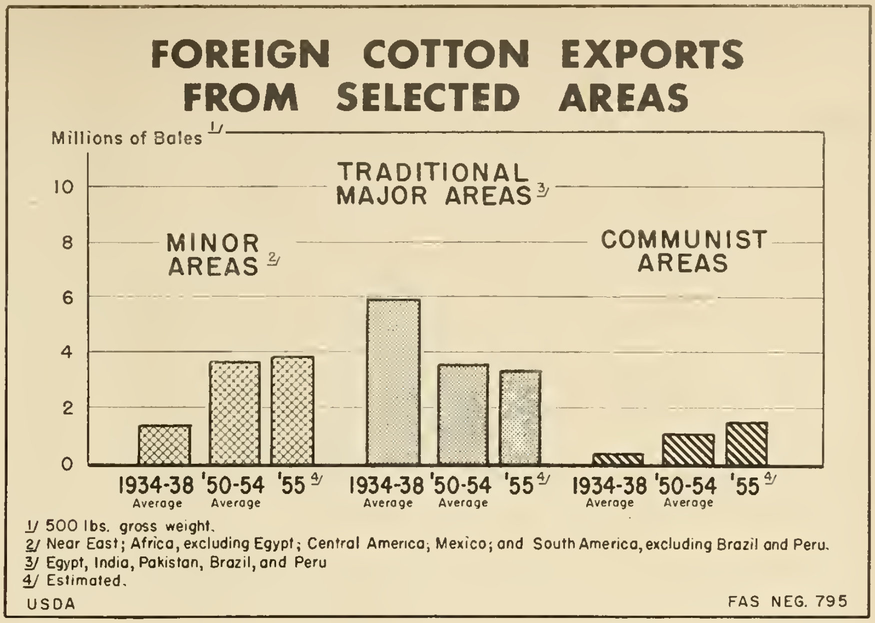
U.S.D.A. FAS NEG. 796

THE INCREASED TEMPO of foreign cotton competition is being caused today by countries that, until recent years, were minor producers of cotton and not, as generally believed, by the traditional cotton-growing countries. Add to that the expansion of foreign-produced synthetics, and you have the double competitive threat which U.S. cotton faces in world markets.

Prior to World War II, cotton production was negligible in the Near East, the African countries (excluding Egypt), Central America, Mexico, and South America (excluding Brazil and Peru). But in 1950-54, when foreign cotton production averaged 3.7 million bales above the 1934-38 prewar figure, approximately 2.7 million bales of the increase resulted from expanded cotton production in these areas. This increase appears even more significant when the estimated 1955-56 foreign production figure is compared with that of 1934-38. Of the estimated 7.7-million-bale increase over 1934-38, 4.2 million bales are from the so-called minor producing areas and 3.1 million from the Iron Curtain countries.

Analyzed by area, the figures are equally impressive. In the Near East—Turkey, Syria, Iran, Iraq, and Afghanistan—production increased from 470,000 bales prior to World War II to an estimated 1,377,000 bales in 1955-56, an increase of nearly 200 percent. In the African countries, excluding Egypt, production increased 727,000 bales from prewar, with most of the increase coming after 1947.

In Central America—Nicaragua, El Salvador, and Guatemala—the rate of increase in cotton production since 1950 has been phenomenal. Production in the current season is estimated at 400,000 bales as compared with 57,000 bales in 1950-51 and 9,000 bales annually in 1934-38. Mexico, which has now moved into the position of a major



FOREIGN COTTON EXPORTS FROM SELECTED AREAS

1/ 500 lbs. gross weight.
2/ Near East; Africa, excluding Egypt; Central America; Mexico; and South America, excluding Brazil and Peru.
3/ Egypt, India, Pakistan, Brazil, and Peru
4/ Estimated.

producing country, expects to harvest this season more than 2 million bales, as compared with 317,000 bales annually in the 1934-38 period.

What has caused such significant expansion in these countries? There are many reasons, but probably the major one is that cotton is relatively more profitable than other cash crops—and also because no other agricultural commodity moves more readily in international trade than cotton.

A survey of the traditional foreign cotton-producing countries—India, Pakistan, Egypt, Brazil, and Peru—shows an entirely different picture. Output today is about the same as it was in 1934-38. Production in Egypt is approximately what it was before World War II. Brazilian production has been considerably below the prewar peak, while Peruvian production has increased less than 70,000 bales. Production in India and Pakistan in the current year is approximately equal to the prewar level, but up to 1954-55 it was below prewar.

Trends in world cotton exports show that the impact of competition from the minor producing areas is even greater than indicated by trends in production. Exports from these areas in 1954-55 were 2.4 million bales above the prewar average, whereas exports from the traditional major cotton countries excluding the United States were 2.6 million bales below the prewar level. During this period Communist countries increased their exports by 1.1 million bales while U.S. exports declined by 1.7 million.

Increased consumption of raw cotton in domestic textile industries is primarily responsible for this decline in raw cotton exports from the traditional major cotton countries. But this increase in foreign cotton consumption—from 23 million bales in 1934-38 to an estimated 27.8 million in the current season—has not been enough to offset increased foreign cotton output.

What keeps foreign cotton consumption from rising sufficiently to absorb the increase in production is the sustained rise in the use of synthetic fibers. As cotton consumption increased in foreign countries, so did the use of synthetic fibers. As a result, rising foreign cotton production has been rapidly overtaking foreign cotton consumption. Since the excess of foreign consumption over foreign production normally represents the foreign residual demand for U.S. cotton when U.S. cotton is not competitive price-wise, the United States has been losing its export market and has accumulated more than its proportionate share of world cotton supplies.

The major expansion in the production of synthetic fiber has occurred in Western Europe, Japan, and the Iron Curtain countries of Eastern Europe. In Western Europe synthetic fiber production rose to the equivalent of 3.8 million bales of cotton in 1950-54 as compared with 1.7 million bales prewar. After a slow start, the Japanese synthetic fiber industry reached its prewar level of about a million-bale cotton equivalent in the 1950-54 period. For 1955, however, Japanese production is estimated to be in the neighborhood of 1.8 million bales, second only to the United States.

The Iron Curtain countries have also made rapid progress in expanding synthetic fiber production capacity in the last 5 years. Average annual production during the 5-year period 1950-54 was the equivalent of about 1.2 million bales as compared to a mere 100,000 bales prewar. Production in the past year probably reached the equivalent of 1.8 million bales of cotton.

Unfortunately for cotton, there is no evidence of slowing down in the production of synthetics. The projected capacity for the foreign synthetic fiber industry by the end of 1956 is the equivalent of nearly 12 million bales of cotton—about one-third above estimated production last year, over 75 percent above the average annual production from 1950 to 1954, and triple the prewar average.

What does all this mean from the standpoint of the U.S. position as a supplier of raw cotton in foreign markets?

First, it is important for the U.S. Government and the U.S. cotton industry to recognize clearly the changes which have occurred in the world cotton-production pattern, in working out policies to hold traditional U.S. export markets. The other major cotton countries have already lost heavily in the export market, and the United States faces the same problem. The potentialities of those countries which

(Continued on page 14)

Egypt Sets Goal Of More Wheat

By Leo J. Schaben
Grain Division, FAS

Egypt, faced simultaneously with a wheat deficit and a cotton surplus, has restored the compulsory sowing of wheat and the limiting of its cotton acreage.

For the 1956-57 season, the government hopes to get wheat produced on a third or more of the cultivated area, and cotton on a third or less. For the present season, 1955-56, the minimum wheat acreages are already in effect, and apply to each Egyptian farmer except in areas where flax is grown or where commercial fruits and vegetables are predominant.

From the end of World War II until last year, the Egyptian Government has decreed minimum compulsory wheat acreages each year. In addition, it has controlled the distribution of the wheat crop. The bulk of the wheat moving from farms to mills is bought by the Ministry of Supply at prices fixed by the government. The Ministry then imports whatever additional quantities are needed to meet domestic requirements. The government stores both the home-grown and the imported wheat in the principal towns and cities, and sells it to the mills as it is needed. Most of the available supply is consumed in the cities: the rural areas use principally corn, millet, and rice.

In 1954-55, for the first time in several years, compulsory wheat acreages were not in effect. That year the wheat crop was 16 percent smaller than the year before. On the other hand, cotton acreage and production increased. At the same time, uncertainties in the world's cotton price situation led to a decline in Egypt's cotton exports. The government had expected to use the proceeds from cotton exports to pay for importing the wheat it needs. As a result, Egypt this year is confronted with large stocks of cotton, a wheat shortage, and little or no foreign exchange to spare for wheat imports.

Penalties to farmers for noncompliance with the minimum wheat acreage law are severe. Every field in the country has been carefully measured and mapped, and checking for compliance is expected to be relatively simple. However, last July the government reduced the prices at which it guarantees to purchase all the home-grown grain that farmers offer it. As a result, even under compulsory sowing, the wheat area for the 1956 crop (harvested in late May and early June) will probably not much exceed 1.8 million acres, compared with a 1954-55 area of 1.6 million. This would amount to a third of the nonexempted area.

The government's July reductions in its wheat purchase prices brought the price for Hindi (hard) varieties down from $2.34 per bushel to $2.08. For Baladi (soft) varieties, the cut was sharper—from $2.24 per bushel to $1.98. The government sells this wheat to mills in Cairo at $3.12 per bushel, with variations up and down for sales in other parts of the country. Prices for wheat flour are currently fixed at $5.86 per 100 pounds for flour of both 72 percent and 82 percent extraction, and $1.17 per 100 pounds for flour of 93 percent extraction.

The Ministry of Supply has estimated the country's total wheat requirements from July 1955 to June 1956 at 73.9 million bushels. Against this figure, it set the 10-million-bushel carryover of July 1, 1955, and the 53.3-million-bushel crop harvested in May and June 1955. This gave a total supply of 63.3 million bushels — approximately 10.6 million bushels short of estimated consumption needs, without any allowance at all for year-end stocks. The shortage will have to be made up by imports.

During 1954-55 (July-June), Egypt's imports of wheat and flour totaled 57,925 metric tons, or 2.1 million bushels. Of that total, 9,590 tons consisted of wheat, all of which came from the United States, and 48,335 tons (grain equivalent) of flour, with close to 90 percent coming from France.

This year, because of its heavy stocks of cotton, the Egyptian Government has indicated that in importing wheat it will give strong preference to countries willing to accept Egyptian cotton, cotton yarn, and cotton textiles in exchange, and to countries willing to take payment in Egyptian currency.

Two-Pronged Threat

(Continued from page 13)

were once minor cotton-producing areas must be fully realized if adequate policies are to be devised to meet competition from them.

Secondly, it is equally important to understand the nature and magnitude of foreign synthetic fiber competition. Although price is a major factor in the competition between cotton and rayon staple fiber, there are other considerations—nationalistic programs for self-sufficiency, balance-of-payment problems of importing countries, fabric types and fabric quality—that determine the types of fibers used. It is just as essential to know the economic forces contributing to increased competition from synthetics as it is to understand changes in cotton production.

Therefore, in meeting the threat of foreign-produced fibers—both cotton and synthetic- U.S. marketing and pricing policies should take into account all aspects of international fiber competition, since the techniques of dealing with this competition will vary with the economic position of the competing areas.

The Foreign Currency Program For Developing Agricultural Markets

By Saul M. Katz

Chief, Exports Projects Branch, FAS

The United States has embarked upon a new program to develop and expand foreign markets for U.S. agricultural products. The basis of this program is the foreign currency that accrues to the U.S. Government from the sale of U.S. agricultural commodities abroad under Public Law 480. In effect, this means that in applying these foreign currency funds for market development, we are attempting to use our current surpluses to help reduce future surpluses.

Although this foreign currency program has been under way for a short time only, market development agreements are already in effect with 7 U.S. agricultural trade groups, representing cotton, wheat, dairy products, tobacco, and soybeans. These trade groups are planning activities in some 17 countries.

Cooperative Program

This market development work, known as the Section 104 (a) program from the section in Public Law 480 that authorizes it, is a cooperative undertaking, involving the U.S. Department of Agriculture and trade associations both in this country and abroad. The five program agreements that have been signed, as of February 1956, are with the National Cotton Council, the Oregon Wheat League, the Dairy Industries Society International, the American Soybean Association, and three tobacco groups—the Leaf Tobacco Exporters Association, Tobacco Associates, and the Burley and Dark Leaf Tobacco Association. These groups, in turn, are initiating projects in foreign countries with local trade groups.

How this cooperation works out is well illustrated by the cotton program. As a first stage in the program, the USDA and the National Cotton Council of America met to discuss an overall plan of what could be done to expand foreign markets for U.S. cotton. The understanding reached was formalized in a program agreement. The second stage was related to setting up specific projects and detailing the responsibilities of all parties concerned. As a result, two projects for market development have started—one in France and one in Japan—and several others are ready to go into operation (see page 18).

To help with these projects the Cotton Council has set up a field office in Europe. Working with trade groups there, the Council is training local staffs which will devote full time to developing and carrying out the various activities aimed at increasing the existing markets as well as developing new markets for cotton. An important responsibility lies with the foreign trade groups, which function in close cooperation with the Council and which contribute local currency funds equal to the USDA's contribution. USDA personnel in Washington and abroad are cooperating with the Council to insure compliance with the agreements and to evaluate performance.

Of a similar nature is the project that has been started to promote the sale of U.S. tobacco in Thailand. Officials of the Thailand Tobacco Monopoly are being brought to the United States, where they will become better acquainted with our tobacco and our methods of storing, manufacturing, marketing, and distributing it. This is being carried on in cooperation with the U.S. tobacco groups mentioned.

Trade Fairs

The major consideration in undertaking a proposed project is whether or not it gives promise of efficiently contributing to the promotion of normal commercial markets for U.S. agricultural commodities. Under Section 104 (a) a wide variety of activities are permitted, among them participation in international trade fairs. Our object in exhibiting at trade fairs is to show foreign buyers the merits of what we have to sell—let them see, feel, and even taste foods made from U.S. agricultural commodities.

In October the United States participated in the Cologne International Food Fair, exhibiting tobacco, meat, dried fruit, citrus fruits, and other products. The dollar quotas allowed by the West German Government on these commodities were completely sold out.

A month later, agricultural exhibits of wheat, dairy products, and cotton were sponsored at the International Trade Fair at Bogotà, Colombia. Three U.S. trade groups cooperated: The Dairy Industries Society International, the Millers National Federation, and the National Cotton Council of America. In preparing the exhibits they worked with Colombian firms. The results were rewarding. At the

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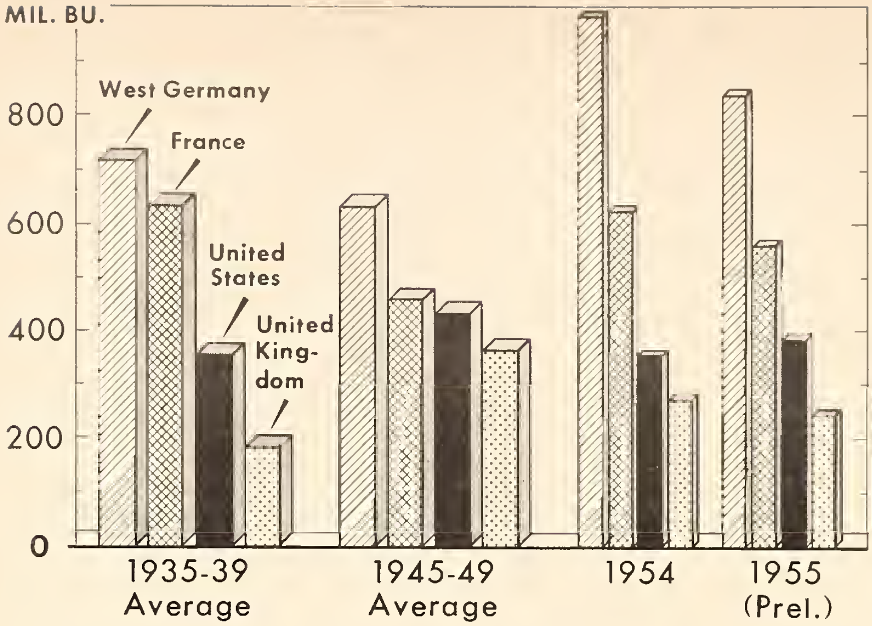

Potato production last year dropped in the important producing countries of Western Europe. Fewer feed potatoes in these countries this year, coupled with more livestock and less feed use of wheat, indicates larger imports of coarse grains (see story on page 11).

USDA FAS-NEG. 790

European Potato Crop Down

1955 was not such a good year for potatoes as 1954, in many countries of Western Europe. The crops were smaller; the potatoes were smaller too. Reason is Northern Europe's dry weather of last summer. In the two major producing countries of the Free World—West Germany and France—crops were sharply down from 1954; the United Kingdom, third largest producer, had a smaller crop too.

In these countries, feed and food are the most important uses for potatoes. Normally there are enough potatoes also for industrial uses. This year, even though livestock numbers are larger, fewer potatoes are available for feed. At the same time, less feed wheat is available, for Western Europe's 1955 wheat crop was of better quality than the 1954 one, and more of it is going into human consumption. These three facts—more livestock, fewer feed potatoes, and less feed use of wheat—point toward somewhat larger imports of coarse grains by Western European countries; for their own production of coarse grain, though increasing, may not be keeping pace with their increased requirements for feed.

International Bank

(Continued from page 10)

to make successful loans, the International Bank must be in favor of expanding international trade, for, apart from other reasons, the Bank must take into account the fact that international loans have to be repaid from the proceeds from exports. Similarly the United States cannot continue to sell capital goods on credit unless it is willing to receive products as payment for interest and amortization. The alternative way of financing these exports would be grants.

Agricultural Prospects

It might look as if the uncertainties of international economic and financial policies would stand in the way of many loans for agricultural development. That is not the case. There are important factors in the outlook that tend to offset these uncertainties. All over the world, population is increasing. In the industrially underdeveloped countries, this alone increases the demand for food and fibers by far more than $500 million annually. But for balance of payments reasons, by far the major part of this additional food must be produced within the area.

With urbanization, the demand for animal products, fruits, and vegetables grows rapidly. Better knowledge of nutritional needs adds to the demand. New techniques enable farmers to reach new markets. Domestic markets become more important even in areas traditionally dependent on one or two export crops. Farmers learn diversification which, although it requires more capital and knowledge, is better for the soil and provides some protection against frost, drought, or a glut in the market of one particular product. And last, though also important, farm machinery is coming on the market with greater flexibility and scope of application.

Thus there is a continuous scope for expansion and improvement of agriculture as part of a balanced economic development of the various countries of this earth in accordance with their needs and opportunities.

Yugoslav Prunes Moving Again To Soviet Bloc

Resumption of economic relations between Yugoslavia and the Soviet Bloc may result in increased exports of U.S. dried prunes to the Western European market, as Yugoslav shipments are diverted from that area in order to fulfill the new trade agreements with the USSR and the satellite countries.

Before World War II, Czechoslovakia, Poland, and Hungary purchased substantial quantities of Yugoslav prunes. After the war the USSR became a major buyer, taking up the slack resulting from decreased purchases by Eastern Europe. But, after the break in relations between Yugoslavia and the Soviet Bloc in 1948, exports of prunes from Yugoslavia to this area—about 9,000 short tons in 1948—had ceased by 1950.

In 1954, with the development of friendlier relations, trade was resumed; in the first 6 months of 1955 about 5,300 tons of Yugoslav prunes moved into the USSR and Czechoslovakia. On January 6, 1956, the USSR and Yugoslavia signed a trade agreement which provides for moving $35,000,000 of goods each way in 1956. Included in the agreement is provision for the shipment of 8,800 tons of prunes from Yugoslavia to the USSR. Trade agreements have been signed, or are in process of negotiation, with the other communist countries, under which prunes will very likely be shipped.

Of significance to the U.S. export trade is the fact that in 1949-54, when Yugoslav prunes had no outlets in Eastern Europe, Yugoslavia developed new export outlets in Western Europe. For the first time, Yugoslav prunes were shipped in large quantities to the United Kingdom, Denmark, Finland, and Norway. Shipments by the Yugoslavs to their traditional markets in Western Europe also increased during this period.

U. S. Burley Faces Increased Competition in World Trade

Production of Burley-type tobacco in foreign countries has increased so substantially in recent years that U.S. Burley growers foresee strong competition in selling their tobacco in world markets. From 20 million pounds annually before the war, foreign production has now risen to more than 90 million pounds a year. Output is up sharply in such important consuming countries as Spain, Italy, and West Germany. Italian Burley exports already are significant, and competition is increasing from a number of less important exporters, including the Central African Federation and Morocco.

Recent price increases have occurred for low and medium grades of U.S. Burley, extremely popular in the export trade; and some grades have even doubled in price. This naturally makes foreign-grown Burley—and other tobaccos that may be substituted for it—more attractive to importers than heretofore.

Reports from Denmark, for example, indicate that current prices for grades normally purchased by that country may place the U.S. exporter at so great a disadvantage that wherever possible other tobaccos will be substituted for American Burley. The Austrian Tobacco Monopoly also has indicated that it will be unable to absorb the price increases and will be forced to use other tobaccos. U.S. dealers are fearful that a similar situation may be created in the other important markets for U.S. Burley, namely West Germany, Portugal, Belgium, Mexico, the Netherlands, and France.

Burley is an essential ingredient in high-quality American-type blended cigarettes, and the growing world-wide popularity of this type of cigarette has boosted Burley exports sharply above the prewar level. In the last 2 marketing years, exports of Burley leaf tobacco from the United States have averaged about 34 million pounds, farm-sales weight. This is nearly treble the volume of the immediate prewar period. The current movement abroad of this type of tobacco, including the Burley contained in tobacco products, is more than 50 million pounds annually.

The Wheat Problem

(Continued from page 5)

about 62 cents per bushel during the 6 years ending July 31, 1955, were necessary if U.S. wheat was to be competitive on world markets. In their absence, much less U.S. wheat would have moved in international trade.

The United States is the only major wheat-producing country that has taken positive action to help bring world supply and demand more nearly in balance. However, even though we cut our acreage to the legal minimum, our 1955 crop was still slightly larger than our estimated domestic use and exports in 1955-56. This means that our carryover into 1956-57 will be somewhat larger than even the record one of 1955-56, which was over a billion bushels.

There is little likelihood of any sizable acreage reduction by other major exporting countries. Nor do importing countries show any inclination to curtail their production. Thus, unless there is widespread crop failure, or unless measures are taken to increase the utilization of wheat, the world's wheat supplies—and ours—may continue at high levels for a long time.

Cotton To Be Promoted In France and Japan

Market development projects designed to expand cotton consumption in France and Japan have been approved by the United States Department of Agriculture in cooperation with the National Cotton Council, under the Agricultural Trade Development and Assistance Act (Public Law 480).

The projects will consist of market research and sales promotion similar to the sales development work of the National Cotton Council in the United States. In France the work will be carried out through an agreement between the Council and the Syndicat Général de l'Industrie Cotonnière Française, and, in Japan, through arrangements between the Council and the All-Japan Spinners' Association.

The Council entered into these agreements with the French and Japanese industrial groups following a cooperative agreement which it made with the USDA in May 1955. This agreement provides that the Council develop cotton marketing projects in foreign countries by negotiating agreements with foreign trade associations, training foreign personnel, and supervising the operation of the programs. The Council pays the salaries of its U.S. personnel in supervisory positions, and as its contribution, the Department defrays certain expenses incurred by the Council in carrying out the programs. It also pays part of the direct cost of the projects, this part to be matched by the foreign trade associations.

Under Section 104 (a) of Public Law 480, 83d Congress, as amended, foreign currencies accruing from surplus agricultural commodity sales under the Act may be used to help develop new markets abroad for United States agricultural products on a mutually benefiting basis.

Prospects are believed to be good for expanding cotton consumption in France, Japan, and other countries. Many uses for cotton have been developed in the United States which can be adopted abroad. In addition, cotton textiles industry groups in a number of countries have shown interest in the possibility of applying techniques of research and promotion developed in the United States for expanding cotton consumption.

Cotton marketing specialists of the Department's Foreign Agricultural Service agree with the National Cotton Council that effective research and promotion will help cotton to compete for the foreign consumer dollar.

Foreign Currency Program

(Continued from page 15)

conclusion of the fair, Colombian businessmen began negotiations to purchase the remaining stocks of dairy and grain products, and indicated their continued interest in ordering U.S. farm products.

The dairy and grain exhibits from the Bogotà Fair were set up again in the International Fair at Ciudad Trujillo, Dominican Republic, in December 1955, and are still on display. Inquiries have already been received from Dominican Republic firms regarding the purchase of U.S. dairy products. U.S. exhibits are also being planned for trade fairs in Japan, Italy, Greece, and other countries.

Program Policy

As a matter of policy, associations representing the trade are relied upon, wherever possible, to implement these Section 104 (a) projects. In the general pattern that is followed, the USDA provides part of the foreign currency required, and guides and inspects the work, through its Foreign Agricultural Service. The U.S. trade group initiates the project and provides dollars to defray the necessary dollar costs. The foreign trade group, which helps carry out the project, meets part of the local costs.

This procedure has several important advantages. It is expected to spark private initiative in the United States and abroad to work together on the problems of expanding the normal commercial markets for U.S. agricultural exports. It makes the valuable know-how of private groups available to foreign trade associations. And furthermore, since private trade groups are expected to take a major role in these projects, this procedure insures their active interest in seeing that the projects achieve the established goal.

Funds Available

The U.S. Government's contribution to this program is limited to part of the foreign currencies accruing under Public Law 480. As of February 10, 1956, the portion tentatively reserved for market development exceeded the equivalen of U.S. $15 million. The actual funds available are considerab greater, since to this $15 millio should be added supplementar amounts from foreign trade grou, as well as the dollars—or their equivalent in services, facilities, and materials—contributed by U trade organizations.

U.S. Government funds have accumulated as a result of surplus commodity programs with 23 countries. Portions of these funds are earmarked for market development in 22 of these countries: Chile, Peru, Argentina, Ecuador, Colombia, and Brazil; Yugoslavia, Spain, Finland, Italy, Austria, Greece, France, and Germany; Turkey, Israel, and Egypt; and Pakistan, Japan, Korea, Thailand, and Burma.

As other Public Law 480 programs are signed, additional funds will become available for this work of expanding markets for our products—work that gives promise of continuing, independent of U.S. Government participation.

TRADING POST

Japanese Rice Agreements Set Lower Price Trend

In the first large Asian rice contract for 1956 the price of medium-type rice dropped 12 percent below that of 1955, establishing a market trend that is likely to be carried on throughout the year.

This agreement, signed on January 6, between Japan and Burma, provides for the import to Japan of 250,000 tons of Burmese rice, at $4.61 per 100 pounds, or approximately 12 percent below the 1955 average of $5.23. It is expected that a similar rice-import agreement between Japan and Thailand will be announced soon, under which from 200,000 to 350,000 tons will be purchased at a price comparable with the Burma price. With these two deals, constituting nearly a half million tons of rice, the price gap between Asian rice and similar U.S. grades has widened considerably.

Decrease in Venezuelan Baby Chick Trade Seen

The decision of the Venezuelan Ministry of Agriculture to issue import licenses for hatching eggs, as of April 1, 1956, may reduce U.S.-Venezuelan trade in baby chicks and eventually lead to Venezuela producing its own baby chicks. On the other hand, the U.S. hatching egg industry stands to benefit from this decision. Although the Ministry has specified that importers must first purchase all locally-produced hatching eggs of satisfactory quality, it is estimated that at least 30,000 additional hatching eggs will be imported each week after April 1.

CCC Initiates Program Of Export Credit Sales

The United States has set up a new program to help reduce its holdings of surplus agricultural products. Early in February the Commodity Credit Corporation announced plans for selling surpluses to exporters on credit. Heretofore, except for barter transactions, CCC policy has been to sell for cash.

Under the new credit sales program, agricultural commodities owned by CCC and tobacco pledged to it under price support programs will be offered for sale on credit extended by CCC for periods up to 3 years. Per annum interest rates, until further notice, range from 3 percent for periods of credit up to 6 months to 4 percent for those up to 36 months.

Customary channels and facilities of trade and commerce will be utilized in carrying out the program. The sales terms will provide that the exporter furnish CCC assurance of payment plus interest through an irrevocable letter of credit, or some other form of guarantee, from a U.S. bank. Although CCC will sell only to U.S. exporters, action can be initiated either by a U.S. exporter, who would work out his own credit arrangement with the foreign importer, or by a foreign importer.

Further information regarding the program may be obtained through the Office of the General Sales Manager, Commodity Stabilization Service, USDA, Washington 25, D.C.

Coarse Grain Exports

(Continued from page 11)

as a result of larger acreage and higher yields. In 1955, U.S. production was 42 percent above prewar, and in other countries of the Free World the increase has been around 20 percent. But in spite of this rise in production, U.S. shipments abroad remained fairly constant until the last 6 months, around 4 million to 5 million short tons a year.

Potential Market

At the present time, it looks as if the world market for coarse grain will increase. The following factors are pertinent:

1. As the incomes of peoples in many countries rise and the standard of living improves, as is happening now, more meat, poultry, eggs, and milk are being consumed.

2. Many of the importing countries are striving to become more self-sufficient in food grains. So long as this practice continues the growing of coarse grain for feed may not be as extensive as it would otherwise be.

3. Livestock numbers are increasing in importing countries, and many of these countries also are feeding more per animal unit. The resulting increase in feed requirements may more than offset increased coarse grain production in these countries.

4. Markets for certain mixed feeds, particularly poultry and dairy feeds, should expand in Latin America and other parts of the world.

The United States should continue to share in this expanding trade in coarse grains. This country has very large export availabilities in each of the coarse grains. Moreover, it has export programs now in effect which contribute toward the movement of these grains.

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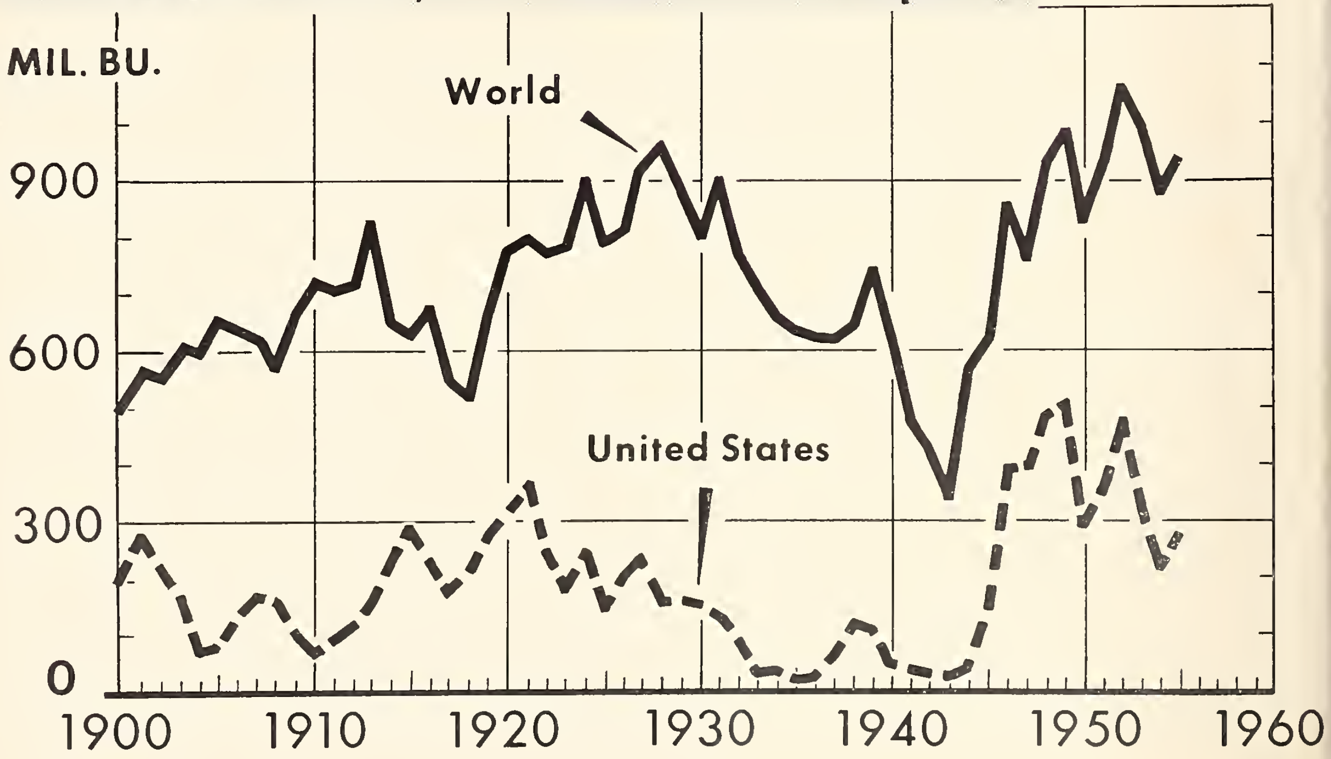

USDA

FAS-NEG. 759